



# One Telco's Effects On A Nation

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om Minnich is counting on his Alaskan experience to help him with his new job in the South American tropics. When he became the chief

executive officer of the Guyana Telephone and Telegraph Co. Ltd. (GT&T) in April, Minnich took on the same challenge that faced him at the Matanuska Telephone Association of Alaska: putting in place a telephone infrastructure that can deliver basic services today, yet also support advanced offerings in the future.

Minnich, who started his career with GTE in Ohio and also has served on the USTA Board of Directors, and as chairman of the association's Small Company Committee, clearly believes it can be done.

"We had the challenge in Alaska, too, of increasing lines, and we grew from 23,000 to about 35,000 in the years I spent there," he says. "We provided an enhanced radiotelephone service for many of the outlying areas and expanded the existing wireline system to several new areas for the provision of telephone service."

The Matanuska Telephone Association changed out a lot of central offices to digital equipment and deployed a fiber-optic cable network. "We instituted one of the first interactive, fiber-optic, educational full-motion television systems and built a cellular radio system, too," Minnich says.

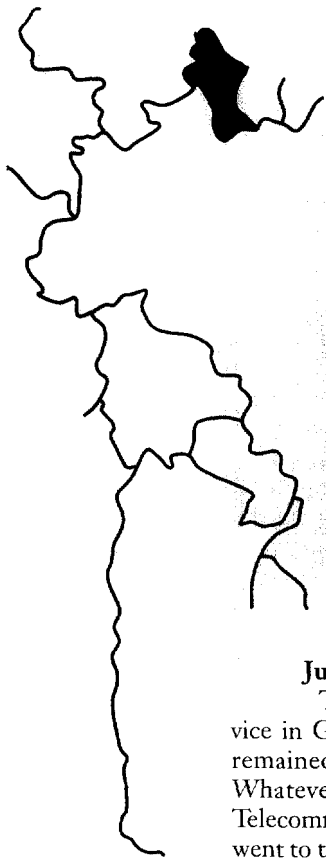
In Guyana, however, grappling with the challenge of modernizing the telecommunications infrastructure demands more than simply making the appropriate technology choices. Minnich and his managers at GT&T also must persuade regulators to set service rates at levels high enough for the telco to recover its investment—and make a profit.

## Snapshot of a Developing Nation

To understand the complexity of the overall task facing Minnich and GT&T, it is helpful to look first at some basic facts about Guyana. Situated on the northern coast of South America, Guyana is just above the area where the equator slices across the continent. The only English-speaking country in mainland South America, the former British Guiana gained independence from Great Britain in 1966 and declared itself the Republic of Guyana in 1970. However, Guyana maintains close historical and cultural links with the island-nations of the Caribbean, many of which also are former British territories.

With 83,000 square miles, Guyana is about the size of Idaho, and much of its terrain is covered by dense forests. Its 750,000 citizens/would-be telephone subscribers live either in small population centers within those forested areas or along the Caribbean-Atlantic coastline.

Needless to say, the diversity of Guyana's geog



ography and areas of habitation also poses a significant challenge for GT&T planners and engineers. They must evaluate several technology options to determine which is the most suitable and cost-effective for a given area. To reach the more remote regions, they will have no choice but to rely on satellite-based operations.

### Jump-starting a Stalled Evolution

The evolution of telecommunications service in Guyana had stalled in the mid-1970s—and remained stalled until about five years ago. Whatever revenues the state-owned Guyana Telecommunications Corporation managed to earn went to the most needy portions of the economy, for example, health services. By the late 1980s, however, the government recognized that if Guyana were to develop economically, the nation had to have a modern, reliable telecommunications system.

Accordingly, government officials sought a partner that could provide not only money to upgrade and expand existing facilities but also the management resources and technical expertise needed to operate the resulting system. Guyana's choice was Atlantic Tele Network, Inc. (ATN), an American company based in St. Thomas, the US Virgin Islands. ATN also owns and operates the Virgin Islands Telephone Corporation (VITELCO).

Together, the government of Guyana and ATN established GT&T to replace the old state-owned telco. With ATN as the major shareholder in GT&T and Guyana having a 20% stake, the new entity set out in January 1991 to transform the nation's antiquated telephone system.

GT&T first put in a cellular system to deliver basic phone service to the Guyanese. The telco then turned to the wireline side, installing digital switching technology and fiber-optic cable. As a result, the number of access lines has more than tripled since 1991 to 47,880.

As recently as 10 years ago, the Guyanese had no international direct-distance dialing facilities. Forced to rely on local operators to make such calls for them, customers not surprisingly experienced long delays in getting their calls through. In response, GT&T also has boosted the number of international access lines significantly from 222 in 1991 to 1,065 today.

### Solid Progress Creates Great Expectations

Upgrading and expanding the technological infrastructure is only one aspect of GT&T's ongoing efforts to modernize Guyana's telecommunications system. The new managers also have had to transform employees' approach to the job, from their traditional civil-service orientation to one that is based both on customer service and profitable business operations.

GT&T's continuing progress on all fronts naturally has raised customers' expectations. For example, faculty and students at the national University of Guyana, as well as the nation's business people, demand access to global information resources—and naturally look to GT&T to provide such access.

Minnich says GT&T must strike a balance between providing basic telephone service to Guyana and delivering new, enhanced services such as those sought by the academic and business communities. Striking that balance depends, in part, on GT&T's ability to recover its investment in infrastructure; that ability, in turn, depends on government regulators.

Several government devaluations of the Guyana dollar in the late 1980s and early 1990s brought it to historically low levels, with G\$140 today being the equivalent of US\$1. Consequently, most Guyanese cannot afford to pay the real costs incurred by GT&T to provide them with basic phone service.

A GT&T customer currently pays the equivalent of 25 cents for monthly telephone service. With the real cost of service installation in Guyana averaging about US\$1,500, GT&T needs more than 500 years to recover its investment in each subscriber.

"Our task," Minnich says, "is to convince the regulatory body that the customer must pay the true cost of service. We must convince them that, as a telephone company, our sole aim is to provide service, but that we need to do so on a profitable basis."

Just prior to his arrival in Guyana, Minnich, along with his wife Helen, spent several months helping to restore telephone operations at GT&T's sister company, VITELCO, after Hurricane Marilyn inflicted heavy damage in the Caribbean last year. So, be it in Alaska or in the tropics of South America, Minnich has come to appreciate first-hand the economic importance of telecommunications.

As he tackles his latest business challenge, Minnich emphasizes that his ultimate objective "is not to build a telecommunications service just for the present but for the future of Guyana. I firmly believe that as a communications system grows within a country or within an area, so grows the economy."

*Guyana Telephone and Telegraph (GT&T) provides service to the Guyanese nations through the operation of a commercially viable company, utilizing modern telecommunications technology. Founded in 1967, GT&T now employs 760 people and provides service across approximately 40,804 access lines. The company has headquarters in Georgetown, and is a subsidiary of Atlantic-Tele Network. GT&T is a member of the USTA International Program. ▀*

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## **Hong Kong...**

of its cultural ties, geographical position, and state-of-the-art infrastructure.

The future is ripe with opportunity for all to enjoy, not just in Asia today and not just in developing regions tomorrow. In developed telecommunications markets, for instance, new value-added features continue to be translated into products and services which make life simpler, or easier, or simply more enjoyable for that most important of individuals, the customer.

### **Hongkong Telecom**

As far as my own company, Hongkong Telecom is concerned, our successes in the market and our solid financial performance give us great confidence in our determination to meet the demands of an increasingly sophisticated marketplace. We view the future with confidence in our company, in our state-of-the-art network and in our ability to provide our customers with the highest quality products and levels of service in the region.

Given the tremendous economic growth which Asia is presently experiencing, I fully expect the international telecommunications market to continue expanding. And, with its extensive pool of expertise, technical resources and financial capability, Hongkong Telecom is well positioned to take advantage of this market growth, particularly in the potentially huge market of China.

Our fully digitalized network gives Hongkong Telecom a tremendous advantage when it comes to developing and providing broadband solutions. And, while our competitors are not yet capable of delivering anything similar, we are prepared to launch services that will take Hongkong Telecom and its customers into an all-digital future.

While Hongkong Telecom is facing new challenges, particularly with regard to a more liberalized local marketplace, we are also standing on the threshold of great opportunities. And, in addition to our own strong resource base, we have the necessary leverage to raise capital from outside sources to take full advantage of them.

Today, Hongkong Telecom is a highly visible and technologically outstanding company strategically located at the center of a region which has a vast need for better telecommunications.

### **The bottom line - prosperity from partnership**

It is clear that the future for Asia will be bright, but to ensure that the prosperity continues, the fruits of this success should be shared by all—the East, the West and anyone else willing to work for their share. By working together rather than purely in competition, East and West can act as guides and partners, bringing new technologies, products and ways of doing business to Asian markets.

Such a partnership can transform the equation from a zero sum game

with winners and losers into a fairer and more mutually beneficial arrangement. One-plus-one doesn't have to equal two—by careful management, it can sometimes be made to equal eleven.

The opportunity to achieve this goal is certainly there. The real decision is whether we, as businessmen, have the vision, confidence and commitment to make it happen. If we can all work together as equals, I am sure we can pull it off. If we fail to grasp the potential of these next few years, we will have only ourselves to blame. ■

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON D.C.**

In the Matter of	)	
	)	IB Docket No. 96-261
International Settlement Rates	)	

**DECLARATION OF THOMAS R. MINNICH**

I, Thomas R. Minnich, do hereby declare as follows:

1. I have been the General Manager of Guyana Telephone & Telegraph Ltd. ("GT&T") since March, 1996. Before that, I was a Senior Vice President - Telecommunications and Government Affairs for ICS Communications. From 1985 to 1994, I was President and CEO of Matanuska Telephone Association, one of Alaska's primary telephone companies. Previously, I worked in various capacities for GTE over thirty years.
2. Atlantic Tele-Network, Inc. ("ATN"), which owns an 80% interest in GT&T, has invested more than \$90 million (U.S.) in a capital improvements program in Guyana since 1991. Under that program, there has been a 500% increase in international direct dial access lines, a 300% increase in total access lines, and an improvement in the call completion ratio for international switched traffic from 15% to approximately 65%. GT&T has purchased new telecommunications equipment primarily from U.S. equipment manufacturers. The capital improvements program would not have been possible without the settlement revenues that GT&T receives from U.S. carriers, principally AT&T.
3. Today Guyana is not served directly by an undersea fiber optic cable; for U.S. and other overseas traffic Guyana is served exclusively by international satellite facilities. Based upon the collective experience of ATN, GT&T and related companies, there is a material cost difference between satellite and undersea cable routing for countries such as

Guyana. GT&T does not have the minimum necessary aggregate traffic volume to use its earth station efficiently, and GT&T has long-term contracts (e.g., 15-year terms) with INTELSAT. The result is a higher per-minute cost than GT&T could obtain if Guyana were served directly by an undersea fiber optic cable.

4. At this time GT&T does not offer a tariffed international private line service. However, GT&T offers dedicated international transmission capacity to two customers. That capacity is a minuscule portion (significantly less than 1%) of GT&T's total international circuit capacity. The rates charged to those two customers are significantly more than twice as high, measured per unit of capacity, as Brazil's IPL rate that the FCC has proposed in IB Docket No. 96-261 to use as a proxy for GT&T's "IPL" rate. On a per-minute basis, GT&T recovers disproportionately fewer joint and common costs from its two international dedicated capacity customers than from its international switched traffic stream.

5. The FCC's National Extension TCP estimate of \$.006/minute (U.S.) is only a small fraction of GT&T's actual component costs. That conclusion stands regardless of whether GT&T sought to estimate its National Extension costs on a forward-looking, long-run incremental cost basis or a fully-distributed cost basis. GT&T funds the National Extension rate in significant part from settlement revenues paid by U.S. and other foreign carriers. GT&T has not been permitted to adjust the National Extension rate in Guyana for nearly a decade to reflect the significant devaluation of the Guyana currency during that time.

6. In GT&T's experience, there are numerous reasons why GT&T incurs higher per-minute costs than U.S. carriers to terminate international switched traffic: (i) a significantly higher costs of capital than for AT&T; (ii) increased reliance upon transit rather than direct routing; (iii) far fewer economies of scope and scale on thin routes serving developing countries; (iv) materially higher equipment purchase costs; (v) significantly higher

Executed this 27<sup>th</sup> day of March, 1997.

Guyana Telephone & Telegraph, Ltd.  
P.O. Box 10628 • Brickdam, Georgetown • Guyana, S.A.

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January 11, 1993

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Donna R. Searcy  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Room 222  
Washington, D.C. 20554

Re: CC Docket No. 90-337 (Phase II)

Dear Ms. Searcy:

On behalf of Guyana Telephone & Telegraph Co. Ltd. ("GT&T"), I am responding to AT&T's letter to the FCC dated January 4, 1993 concerning AT&T's accounting rate negotiations with foreign carriers. Unfortunately, AT&T has justified the inclusion of Guyana on AT&T's selected list of "egregious" countries based upon misrepresentations and half-truths concerning the actions and proposals of GT&T. I am writing in hopes of ensuring an accurate record in this matter.

First, contrary to AT&T's statement, GT&T has never issued a proposal or counter-proposal that the current accounting rate be increased to U.S. \$2.64/minute. Rather, GT&T informed AT&T on several occasions of GT&T's analysis that an accounting rate of \$2.64/minute was cost-oriented in GT&T's particular circumstances at the time. Our purpose was merely to confirm that the existing accounting rate of \$1.70/minute is not in excess of costs. It is our understanding that the FCC, like GT&T, desires cost-oriented accounting rates. Nevertheless, AT&T continues to demand that GT&T lower the accounting rate without regard to cost in order to increase AT&T's profitability.

Second, AT&T neglected to mention that GT&T charges Guyanese consumers far less for calls to the U.S. than AT&T charges U.S. consumers for calls to Guyana. GT&T's charge during all time periods is approximately 104 Guyana dollars, which translates into approximately \$0.83/minute at the current rate of exchange. By contrast, AT&T's charge for the initial

Ms. Donna R. Searcy  
January 11, 1993  
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minute during the standard daytime period is \$2.99, more than three times as high. GT&T has inquired whether AT&T would commit to lowering its collection rate for calls to Guyana if GT&T were to agree to lower the accounting rate. AT&T has responded that it will not make any such commitment.

Third, AT&T's claim that GT&T discriminates against the U.S. as regards the accounting rate is baseless. GT&T does have a lower rate for calls to its neighboring country Trinidad & Tobago, but such calls use a lower cost and lower quality technology. AT&T declined to mention that GT&T has a higher accounting rate with the United Kingdom than with the U.S. (and GT&T is a net debtor as regards the United Kingdom). Indeed, it may be relevant to note that AT&T maintains a lower accounting rate with Guyana than with many other countries. Is GT&T to infer that AT&T is discriminating against Guyana?

Fourth, I would note that there is virtually no U.S. balance of payments problem with respect to Guyana. GT&T is 80% owned by the U.S. company Atlantic Tele-Network, Inc. ("ATN") so that settlement payments are, for all practical purposes, being made from one U.S. company to another. And such settlement payments are being used to fund GT&T's extensive capital improvements program, which has involved purchases of U.S.-manufactured telecommunications equipment totalling more than \$20 million. Further, the FCC should be aware that ATN's infusion of equity into GT&T has been guaranteed by the U.S. agency OPIC. AT&T has shown no sensitivity to these and other legitimate interests of the U.S. and Guyana in its accounting rate negotiations.

Fifth, I feel obliged to note that AT&T threatened GT&T some months ago with being included on the "egregious" list if GT&T did not capitulate to AT&T's demands for reductions in an already below-cost accounting rate. Therefore, we were not surprised to learn that AT&T carried out that threat in its report. However, we were disappointed that AT&T did not show greater care and accuracy in explaining the circumstances of its accounting rate negotiations with GT&T.



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I hope this letter helps to set the record straight on  
this matter.

Very truly yours,

*Clarence Hordatt*

Clarence Hordatt  
General Manager

cc: Ms. Cheryl A. Tritt (FCC)  
Ms. Diane J. Cornell (FCC)  
Mr. Gerald P. Vaughan (FCC)  
Ms. Elaine R. McHale (AT&T)